

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 EB-08 /019 W
-----121945Z 037493 /43

R 121148Z APR 77
FM AMEMBASSY NEW DELHI
TO FAS/USDA WASHDC
INFO SECSTATE WASHDC 2633

UNCLAS NEW DELHI 5211

FROM AGATT FOR USDA PASS FAS-S AND TP (FCA/FMD) AND ERS

E.O. 11652: N/A
TAGS: EAGR, IN
SUBJECT: GOI IMPOSES EXPORT DUTY ON TEA

1. EFFECTIVE APRIL 9, 1977, THE GOI ANNOUNCED THE FOLLOWING
MEASURES REGARDING THE EXPORT OF TEA:

(1) AN EXPORT DUTY OF RS 5 PER KG. ON ALL TEA EXCEPT THAT IN
THE FOLLOWING FORM:

- (A) TEA BAGS CONTAINING NOT MORE THAN 2.5 GRAMS NET OF TEA;
- (B) TEA PACKED IN ANY KIND OF CONTAINER WHOSE CONTENTS DID
NOT EXCEED 1 KG. NET;
- (C) INSTANT TEA.

(2) THE WITHDRAWAL OF A SCHEME OF CASH REBATES APPLIED ON THE
EXCISE DUTY COMPONENT OF EXPORTED TEAS.

(3) THE WITHDRAWAL OF DUTY DRAWBACK PROVISIONS FORMERLY APPLIED
TO THE FOLLOWING ITEMS AS AN EXPORT INCENTIVE:

- (A) ON CONTAINERS OF ALL SORTS: AND
- (B) ON THE PACKING MATERIALS USED IN, OR IN RELATION TO,
SUCH CONTAINERS.

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(4) DISCONTINUANCE OF A SCHEME WHICH ENABLED A MANUFACTURER
TO EXPORT PACKAGED TEA FREE OF EXPORT OR EXCISE DUTIES AFTER FIRST
SECURING IN A BONDED WAREHOUSE EITHER IMPORTED OR INDIGENOUS
MATERIALS.

2. THESE LATEST OFFICIAL ACTIONS FOLLOW OTHERS BY THE
COMMERCIAL BANKING SECTOR WHICH INVOLVE A 15-20 PERCENT CUT IN

CREDIT LIMITS TO THE TEA INDUSTRY. TEA COMPANIES SECURED CREDIT CONCESSIONS SOME FIVE YEARS AGO ON THE GROUNDS OF A DULL EXPORT MARKET. WITH THE UPSURGE IN INTERNATIONAL DEMAND, THE EXTENT TO WHICH PLANTATIONS AND WHOLESALERS MUST DEPEND ON CREDIT SALES HAS DROPPED APPRECIABLY. COMMENT: SHARPLY RISING DOMESTIC PRICES OF TEA SUBSEQUENT TO THE SURGE IN EXPORT DEMAND IS BEHIND THE GOVERNMENT'S ENACTMENT OF THESE MEASURES. WITH THE DROP IN TEA SUPPLIES FROM SRI LANKA AND A SHIFT IN BEVERAGE CONSUMPTION ABROAD IN THE FACE OF CONTINUING SHORTAGE OF COFFEE, TEA PRICES IN INDIA HAVE AT LEAST DOUBLED DURING THE LAST TWELVE MONTHS (APPROXIMATELY HALF OF WHICH OCCURRED AFTER DECEMBER 1976). BETWEEN FEBRUARY 1976 AND THE SAME MONTH THIS YEAR, PRICES AT THE CALCUTTA AUCTION ROSE 53 PERCENT TO RS 16.22/KG. THOSE AT THE COCHIN AUCTION DURING THE THIRD WEEK IN MARCH STOOD AT RS 31.40 PER KG. REFLECTING A RISE OF 185 PERCENT SINCE MARCH 1976. OFFICIAL CONCERN OVER THE DOMESTIC PRICE OF TEA HAS BECOME ACUTE NOT ONLY BECAUSE OF ITS PREDOMINANCE AMONG DOMESTIC BEVERAGES BUT ALSO BECAUSE FOR THE GREATER SEGMENT OF THE POPULATION, IT IS THE MAJOR SOURCE OF CALORIES, I.E. IN THE FORM OF MILK, SUGAR, AND GUR (UNREFINED BROWN SUGAR).

THE EXPORT DUTY WILL ALSO ENABLE THE GOI TO ABSORB SOME OF THE PROFITS THAT WOULD OTHERWISE ACCRUE TO THE TRADE AND WILL LEAVE UNTOUCHED THOSE FISCAL INCENTIVES AIMED AT ENHANCING THE EXPORT OF PROCESSED TEAS ON WHICH A HIGHER UNIT OF VALUE IS REALIZED.

RECORD DOMESTIC PRODUCTION OF TEA DURING CALENDAR 1976 HAS UNCLASSIFIED

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MADE THE ALLOCATION PROBLEM LESS ACUTE THAN MIGHT OTHERWISE BE THE CASE. THE CROP IS CURRENTLY PLACED AT 512 MILLION KILOGRAMS, UP FIVE PERCENT FROM THE 487 MILLION KG. CROP A YEAR EARLIER. OF THIS AMOUNT, APPROXIMATELY 225-230 MILLION KGS. ARE EXPECTED TO MOVE INTO EXPORT CHANNELS, EARNING ROUGHLY 2.6 BILLION RUPEES. OFFICIAL DATA FOR THE FIRST TEN MONTHS OF 1976-77 (APRIL-JANUARY) REFLECT EXPORTS OF 190 MILLION KGS. VALUED AT RS 2.3 BILLION. ALTHOUGH NO EXPORT TARGET FOR THE 1977-78 FINANCIAL YEAR HAS YET BEEN SET, A PRODUCTION TARGET FOR 1977 HAS BEEN PLACED AT 538 MILLION KGS. SCHNEIDER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CUSTOMS DUTIES, TEA, EXPORT CONTROLS
Control Number: n/a
Copy: SINGLE
Sent Date: 12-Apr-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977NEWDE05211
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770126-1152
Format: TEL
From: NEW DELHI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770466/aaaacfdy.tel
Line Count: 107
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: d242bda6-c288-dd11-92da-001cc4696bcc
Office: ACTION NEA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 25-Oct-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2832883
Secure: OPEN
Status: NATIVE
Subject: GOI IMPOSES EXPORT DUTY ON TEA
TAGS: EAGR, IN
To: FAS
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/d242bda6-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009